

CLEVELAND PUBLIC LIBRARY
BUSINESS & ECONOMY
CORPORATION FILE

The
GRAND UNION
Company



Annual Report
1947
1948

FISCAL YEAR ENDED

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FEBRUARY 28, 1948

The GRAND UNION *Company*

50 CHURCH STREET • NEW YORK, NEW YORK

Officers

LANSING P. SHIELD	<i>President</i>
HUGH J. DAVERN	<i>Vice-President</i>
JOHN K. DAVENPORT	<i>Vice-President</i>
GARLAND MILBURN	<i>Vice-President</i>
LOUIS C. WADMOND	<i>Vice-President</i>
THOMAS C. BUTLER	<i>Secretary-Treasurer</i>

Directors

THOMAS C. BUTLER	IRVING KAHN
JOHN K. DAVENPORT	RAY MORRIS
HUGH J. DAVERN	JOHN E. RAASCH
LOUIS A. GREEN	THOMAS J. SHANAHAN
LANSING P. SHIELD	

To Our Stockholders

On February 28th Grand Union completed its seventy-fifth year of operations. It was a fitting year for an anniversary inasmuch as annual sales reached an all-time high of \$99,818,829 and profits after taxes were \$1,528,649 or \$6.86 per capital share. These results compare with 1946 sales of \$83,442,793 and profits of \$1,522,003, after setting aside a reserve of \$200,000 for contingencies. During the year dividends amounting to \$2.00 per share were paid.

For some time it has been apparent that because of greatly increased volume, additional working capital could be used to advantage in the business. Consequently in December of last year a loan of \$3,500,000 was obtained on a favorable basis from the Prudential Insurance Company. Further information on this loan is given in a foot-note to the balance sheet. This financing places the company in a strong position to operate its present business and provides for a reasonable degree of expansion.

It should be pointed out that expenses at every level have been increasing, despite efforts to keep a strict control upon them. Increased sales and satisfactory profit margins have largely offset higher costs of operation. Due to a combination of higher prices, greater tonnage handled and filling of pipe lines, the investment in inventories is higher than a year ago. Management is aware of the uncertainties in the commodity price structure and is committed to a policy of maintaining inventories at all times at the lowest possible point that is consistent with good service to its customers.

During the year, the route business of the company underwent a major reorganization. The offices in Chicago were closed and the management of this division of the business was transferred to the New York office. This move provided the dual advantage of maintaining a closer control over operations and reducing overhead. The organization and merchandising methods of this division have been strengthened and results to date both in sales and profits are gratifying.

During the year the Food-O-Mat Corporation was organized as a wholly-owned subsidiary. This new division has made strides in selling this patented fixture to many of the national and regional chain stores and independents. While it is too soon to appraise the potential development of this business, Food-O-Mat is generally recognized as having made a contribution to food retailing.

Management at this time is proceeding with caution with regard to expansion of its stores and super markets because of exorbitant building and material costs. At the same time your management looks to the future with confidence because it believes that the company has been making strides in becoming an increasingly important factor in the distribution of food in the territory in which it operates.

This has been accomplished by the untiring and cooperative efforts of the people who man our stores, work in our warehouses or serve in administrative and clerical capacities at the home office and in other branches of the business.

Acknowledgment should be made particularly of the constructive efforts and advice of the directors in the past year.

The interest and support of our stockholders should also not go unmentioned. Their confidence in the policies and operation of the company is sincerely appreciated.

April 29, 1948

LANSING P. SHIELD,
President

Seventy-Five Years of Progress

Early Days

The clouds engendered by the Civil War had not yet blown away in 1872 when Cyrus D. Jones decided that he could not wait for his Scranton, Pennsylvania, neighbors to visit his newly established grocery store. He, the merchant, would go to them, the customers. With a basket under each arm, his calling cards the pound bags of coffee and tea, and his point of sale the customer's home, Jones quietly made business history in the Pennsylvania mining towns.

A year later he was joined by his two brothers and the Jones Brothers Tea Company came into being. In 1876 the establishment of another unit in Saginaw, Michigan had produced a second epoch-making development—the idea that customers could share profits by turning in accumulated credits for attractive premiums. Although today premiums are advanced to the customer before she accumulates credit, the route division is operated on basically the same principle introduced 72 years ago.

New stores and routes were added, and by the turn of the century the Grand Union Tea Company, a subsidiary of Jones Brothers, had taken



the spotlight as a name to watch in the retail food business.

Growth and Expansion

By 1912, the Company's 40th year, there were well over 200 stores and 500 route salesmen serving the second generation of Grand Union customers. In 1915 Grand Union took over a chain of grocery stores thus marking the beginning of the Company's phenomenal growth into one of the nation's foremost food retailing chains. The first World War emphasized the sales advantage to be derived from selling meat to grocery shoppers and by 1923 meat departments were included in new stores and markets.

The two divisions of Grand Union, chain store and route, were placed under individual supervision for added efficiency and route division expansion paralleled that of the chain store division. By 1929 a central purchasing system and a supervisory organization had been set up in the chain store division to take care of the customers' demand for all their food needs in one store. During the years of World War II, approximately 1,500 men and women, or one-third of Grand Union people,

entered the Armed Services, but despite the shortages in personnel and in food, Company sales actually more than doubled in the five-year period.

The Present

In recent years expansion has become a three-fold combination of entering new and promising areas, remodeling and enlarging already existing stores and developing new departments, equipment and merchandise.

The year 1947 was marked by definite progress in each of these directions. Fourteen new supermarkets were opened and a similar number were completely remodeled or enlarged. Thirty complete toiletry departments were added to the four which existed at the beginning of the year. One hundred sixty-four candy departments and two hundred and ten frozen food sections were installed. One hundred forty stores are selling ice cream and the number of Nancy Lynn bakeries has more than doubled. Twelve stores now have cases in which frozen fish is displayed in consumer units and three completely self-service meat departments have been placed in operation. The Company Training Center located at Pleasantville, New York, completed its first year of operation having trained over 800 employees in checking, meat and dairy operations.

Complementing such training was the publication of several operational manuals including the Grand Union Meat Manual, 170 pages of policies, facts, pictures and diagrams designed to put across the "whys and wherefores" of meat management, operations, and merchandising.

In the route division over 500 new vehicles were acquired and complete repackaging of the entire route grocery line is now in progress. Thousands of new customers were added, contract accounts

expanded, and the number of available premiums was increased by 50%.

Undoubtedly an outstanding event of the year was the organization of the Food-O-Mat Corporation, a wholly owned subsidiary of Grand Union which was formed to market to other chains and to independents the gravity-fed fixture invented by Lansing P. Shield, President of Grand Union. The Food-O-Mat has already been made available to food store operators and department stores, and several major food chains have indicated its widespread acceptance by installing this latest Grand Union development. The first overseas Food-O-Mat was shipped to Bermuda for a modern shopping center in Hamilton. In the department store field, R. H. Macy & Co. was the first to feature the silent salesman in the food department.

Another noteworthy achievement was the transfer of route division headquarters from Chicago, Illinois, to the New York City office. By this move closer supervision and full-scale operation of the route division are assured.

The Future

In 1948 the Grand Union policy of passing on to the customer promptly any reductions in wholesale commodity markets will be made known to more and more new customers through the newspapers and radio, through the scheduled openings of new stores and remodeling of existing ones, and through the development and use of new equipment, new departments, and new merchandise in both the chain and route divisions.

Since its origin in the mining community of Scranton, Pa., Grand Union has celebrated almost half the anniversaries of the United States, seen sixteen presidents inaugurated, helped feed the home front during two world wars, and survived major depressions. It looks forward to the future with confidence and anticipation.



The GRAND

And Its Subsidiaries

Consolidated

February

Assets

Current assets:

Demand deposits in banks and cash on hand	\$ 3,008,126.44	
United States Government bonds		500,000.00

Accounts receivable:

Trade	\$ 588,044.53	
Miscellaneous	461,870.14	
	<u>1,049,914.67</u>	
Less, Allowance for losses	123,178.69	926,735.98

Inventories at the lower of cost or market:

Merchandise	9,435,487.04	
Premiums	1,127,213.34	10,562,700.38

Costs of inventories at warehouses are determined on the basis of "first-in, first-out." The "retail method" of accounting is used with respect to inventories at retail outlets.

Total current assets		14,997,562.80
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Real estate (\$39,046.92), mortgages and miscellaneous investments at costs or written-down amounts, less allowances for depreciation of improvements, \$7,659.00, and for losses \$10,721.05		94,696.15
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Machinery, fixtures and equipment at cost	4,659,805.94	
Less, Allowance for depreciation	1,553,436.08	3,106,369.86

Premium merchandise advanced to customers, at cost less cost of profit-sharing credits	786,768.80	
Less, Allowance for losses	171,051.66	615,717.14

Expense supplies, prepaid and deferred charges, etc.		506,400.08
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Good will		1.00
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\$19,320,747.03

NOTE: The note of \$3,500,000 bearing interest at 3% per annum, payable in fixed instalments of \$250,000 on December 1 of each year, was prepaid, in whole or in part, at the option of the company. The loan agreement also provides that the company will not pay a dividend of \$4,500,000 and that, without written consent of the holders of the stock, it will not acquire any of its outstanding stock after that date. If all such dividends and stock acquisitions exceed 75 per cent of the balance in earned surplus provision, \$4,301,384.63 of the balance in earned surplus

UNION Company

Subsidiaries

Balance Sheet

May 28, 1948

Liabilities

Current liabilities:

Bankers acceptances against coffee received under trust receipts	\$ 564,663.08
Accounts payable and accrued liabilities	3,753,746.24
Provision for federal taxes on income	<u>1,186,414.03</u>
Total current liabilities	5,504,823.35
Note payable (Note)	3,500,000.00
Employees' fidelity deposits	191,236.65

Reserves:

Contingencies	\$ 500,000.00	
Unredeemed premium tickets	30,734.67	
Self-insurance, fire	<u>49,637.14</u>	<u>580,371.81</u>
		9,776,431.81

Capital

Capital stock, no par value, authorized 400,000 shares, issued 222,738-12/15 shares	4,322,248.00
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The 222,738-12/15 shares shown above include 687 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 81-1/15 shares of capital stock represented by unexchanged certificates for 1,216 shares of old common stock.

Capital surplus, March 1, 1947 and February 28, 1948	497,241.95
Earned surplus since December 8, 1939, as annexed (Note)	<u>4,728,299.61</u>
	9,547,789.56
Less, Treasury stock, 266-6/15 shares, at cost	<u>3,474.34</u>
	<u>9,544,315.22</u>
	<u>\$19,320,747.03</u>

Loan matures on December 1, 1962. The loan agreement provides for interest commencing in 1952. Under certain conditions the loan may be repaid, with or without a premium depending upon the circumstances. The agreement does not permit consolidated working capital at any time to be less than \$1,000,000. The company, under the note, will not pay or declare any cash dividends after August 30, 1947 (except to the extent offset by sales of its stock), if the aggregate net earnings after August 30, 1947. Under the foregoing agreement at February 28, 1948 was restricted.

Consolidated Statement of Income

for the fifty-two weeks ended February 28, 1948

Sales		\$99,818,829.17	
Cost of sales (including depreciation of \$44,331.96)		80,638,509.53	
Gross profit			19,180,319.64
Selling and general expenses:			
Selling expenses, salaries of salesmen, managers and superintendents, delivery, advertising and other expenses	\$13,564,446.13		
Rentals of retail outlets	895,245.15		
General and administrative expenses	1,120,798.11		
Provision for contributions under employees' retirement plan	155,000.00		
Allowances for doubtful accounts and premium merchandise advanced to customers	99,502.26		
Taxes, other than federal income	451,549.28		
Depreciation of retail distribution equipment, etc.	287,248.86	16,573,789.79	
			2,606,529.85
Other income, including \$90,455 net gain on sales and retirements of fixed assets	117,794.29		
Other deductions, including moving expense, \$57,900 and interest, \$35,392	108,675.18	9,119.11	
Income before federal income taxes		2,615,648.96	
Provision for federal income taxes		1,087,000.00	
Net income			<u>\$ 1,528,648.96</u>

Consolidated Statement of Earned Surplus

for the fifty-two weeks ended February 28, 1948

Earned surplus since December 8, 1939:		
Balance, March 1, 1947	\$ 3,644,601.15	
Net income for the fifty-two weeks ended February 28, 1948	1,528,648.96	
		5,173,250.11
Cash dividends at \$2.00 per share		444,950.50
Balance, February 28, 1948 (see note to Balance Sheet)		<u>\$ 4,728,299.61</u>

Auditors' Report

THE GRAND UNION COMPANY, New York, N. Y.

We have examined the consolidated balance sheet of THE GRAND UNION COMPANY and its subsidiaries as of February 28, 1948 and the consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus present fairly the consolidated position of THE GRAND UNION COMPANY and its subsidiaries at February 28, 1948 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the fifty-two weeks ended March 1, 1947.

New York, April 15, 1948.

LYBRAND, ROSS BROS. & MONTGOMERY

Simplified Statement of Income and Expenses

for the fifty-two weeks ended February 28, 1948

Our customers paid us for merchandise	\$99,818,829
This merchandise cost us	80,638,509
Leaving a gross profit of	<u>19,180,320</u>

Which was used as follows:

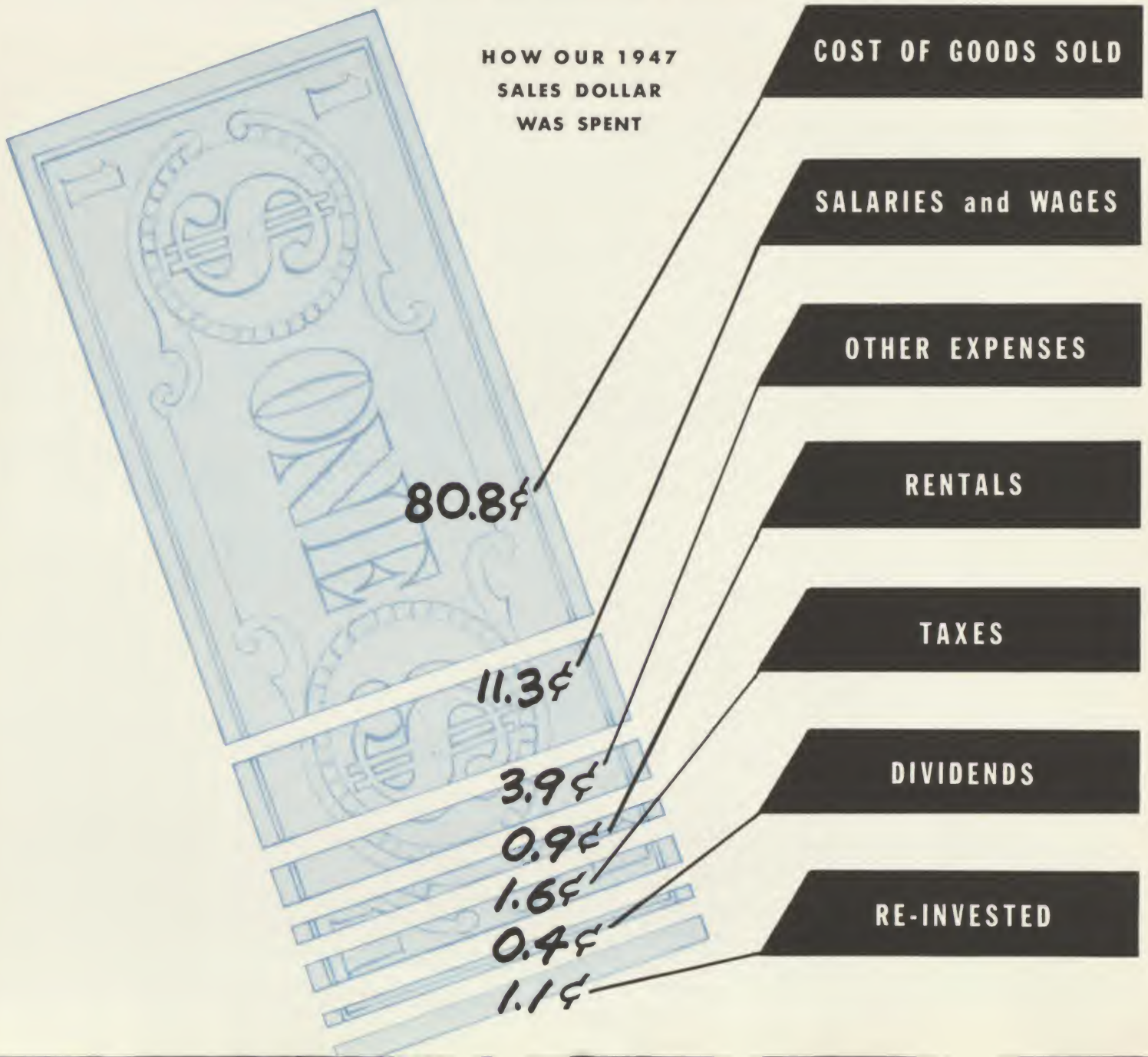
We paid to our employees in salaries and bonuses	\$11,141,671	
We paid into our employees' retirement fund	155,000	
We paid to landlords for rentals	946,391	
We paid for various taxes, except federal income tax	451,549	
We paid out for other selling expenses, and for general and administrative expenses	3,870,060	16,564,671

This leaves us a profit of 2,615,649

We divided this profit as follows:

To the Federal Government in income taxes	1,087,000	
To our owners (the stockholders) in dividends	444,950	1,531,950
Which leaves		<u>\$ 1,083,699</u>

This \$1,083,699 has been retained in our business for purchasing new equipment, opening new stores and modernizing present stores.



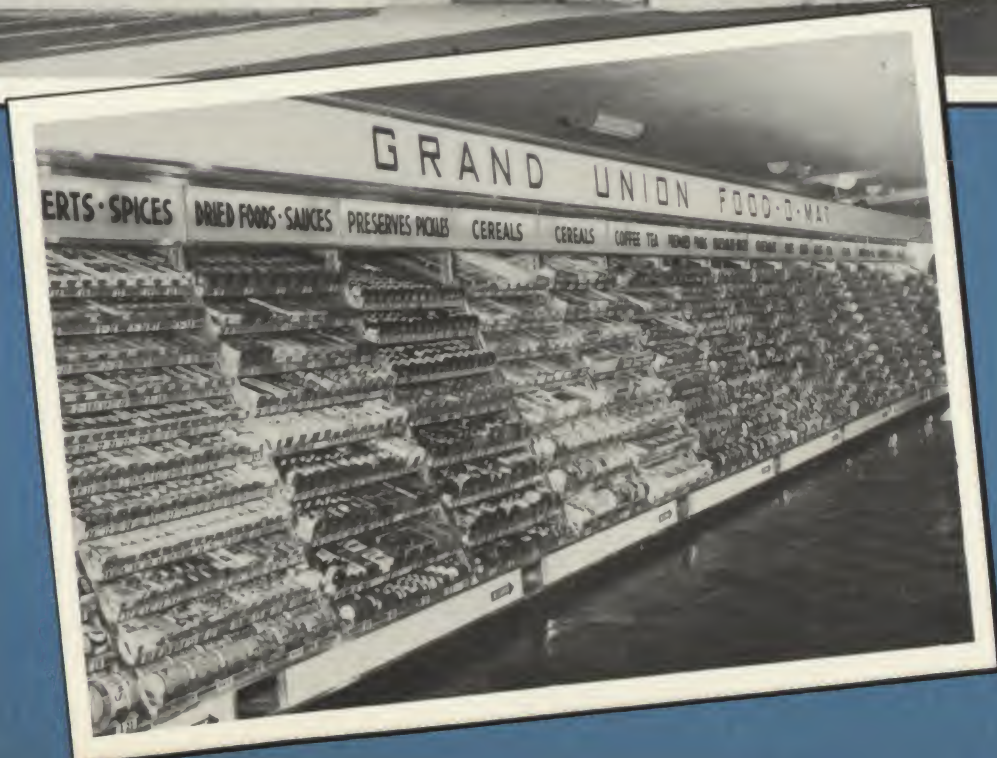
A MODERN REFRIGERATED
PRODUCE DISPLAY STAND



NO WAITING FOR MEAT AT A
NEW SELF-SERVICE "MEATERIA"



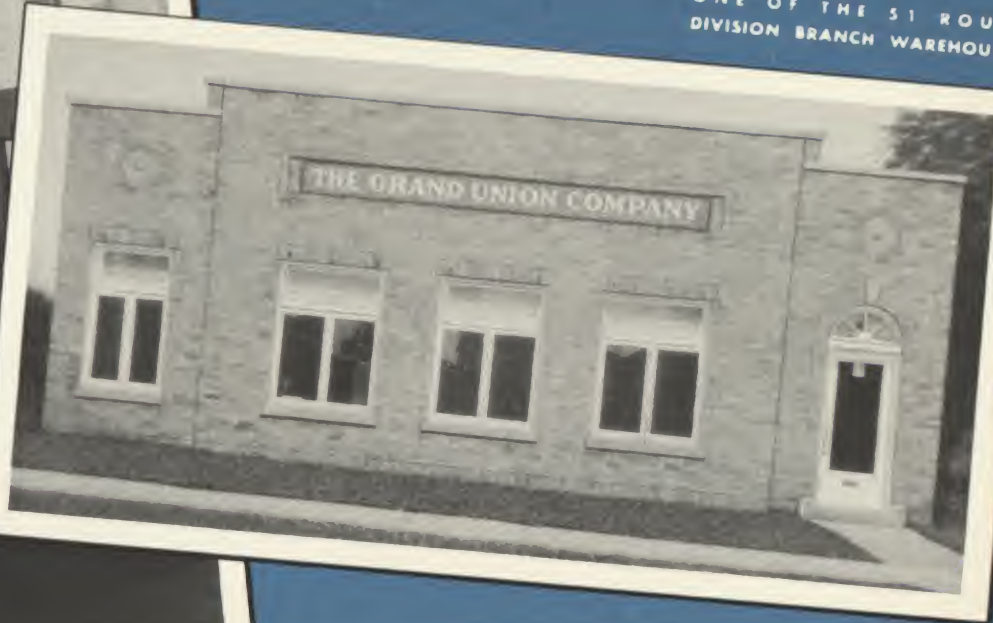
THE SUPER MARKET
AT GLENS FALLS, N.Y.



THE FOOD-O-MAT
AT MONROE, N.Y.

AT THE CHECKERS' TRAINING
CENTER, PLEASANTVILLE, N.Y.

ONE OF THE 51 ROUTE
DIVISION BRANCH WAREHOUSES



TWO DIFFERENT
TYPES OF ROUTE
DIVISION TRUCKS



CUSTOMERS LIKE THE
NEWLY-INSTALLED
CANDY DEPARTMENTS

